LIBRARY
SUPREME COURT OF THE U.S.
MAY 23 1972

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971.

No. 71-1503

DESOTO, INC.,
Petitioner,

vs.

CATAPHOTE CORPORATION AND PERMA-LINE MANUFACTURING CORPORATION OF AMERICA,
Respondents.

BRIEF OF RESPONDENT CATAPHOTE CORPORATION IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI.

WILLIAM A. MARSHALL,
ALVIN D. SHULMAN,
ALLEN H. GERSTEIN,
Two First National Plaza,
Chicago, Illinois 60670,
Attorneys for Respondent Cataphote Corporation.

THE BLAKELY-HARRIS PRINTING COMPANY, CHICAGO

TABLE OF CONTENTS.

	PAGE
Statement of the Case	1
Questions Presented	2
Argument	3
Conclusion	6

TABLE OF AUTHORITIES.

Cases.

Air Shields, Inc. v. Air Reduction Co., Inc., 331 F. Supp. 673 (N. D. Ill. 1971) 4

Brand Plastics v. Dow Chemical, Inc., 267 F. Supp. 1010 (C. D. Calif. 1967) 4

Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U. S. 238 (1944) 5

Intermountain Research and Engineering Co. v. Hercules, Incorporated, ... F. Supp. ....., 171 U. S. P. Q. 577 (C. D. Cal. 1971) 4

Kearney & Trecker Corp. v. Giddings & Lewis, Inc., 452 F. 2d 579 (7th Cir. 1971), cert. denied 40 Law Week 3503 (April 17, 1972) 4

Monsanto Co. v. Rohm & Haas, ... F. 2d ..... (3rd Cir. 1972), 172 U. S. P. Q. 323, petition for certiorari filed No. 71-1457 (May 8, 1972) 4

Chas. Pfizer & Co. v. FTC, 401 F. 2d 574 (6th Cir. 1968), cert. denied 394 U. S. 920 (1969) 4

Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U. S. 806 (1945) 5

SCM Corp. v. Radio Corp. of America, 318 F. Supp. 433 (S. D. New York 1970) 4

Shelco, Inc. v. Dow Chemical Co., ... F. 2d ....., 173 U. S. P. Q. 451 (7th Cir. 1972) 4

United States v. Saf-t-boom, 431 F. 2d 737 (8th Cir. 1970) 4

United States v. The Singer Mfg. Co., 374 U. S. 174 (1963) 2

Walker Process Equipment Co. v. Food Machinery and Chemical Corp., 382 U. S. 172 (1965) 3, 4, 5

Statutes.

15 U. S. C. § 15 6

35 U. S. C. § 285 6

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971.

No. 71-1503.

DESOTO, INC.,

Petitioner,

vs.

CATAPHOTE CORPORATION AND PERMA-LINE MANUFACTURING CORPORATION OF AMERICA,

Respondents.

BRIEF OF RESPONDENT CATAPHOTE CORPORATION IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI.

STATEMENT OF THE CASE.

It is regrettable that petitioner has arranged the sequence of facts (pp. 2-4) so as to create the erroneous impression that the infirmities of the Poole patent found in *Cataphote I* were known by respondents prior to filing the application that matured into that patent.

Petitioner's statement at page 4 that "the Court of Appeals *noted** three misrepresentations practiced by

* Emphasis is always added.

Cataphote on the Patent Office. . .'' is deceptive. What the Ninth Circuit ''noted'' was that *petitioner* ''*urges* that three misrepresentations'' had been made by Cataphote. (App. pp. vi-vii) The court then rejected each contention so urged. Specifically, as to prior public use, the court below held that ''Cataphote could reasonably feel [that there was no] prior use sufficient to invalidate the patent. . . .'' (App. p. vii). As to inventorship, the court of appeals stated: ''It is unrealistic to maintain, in any sense, that Poole 'was not the original, first and sole inventor. . . .' '' (App. p. viii). Rather than hold that ''Cataphote fraudulently enlarged its patent'' the court of appeals held that the ''substitution did not enlarge the patent application. . . .'' (App. p. ix)

The last paragraph of petitioner's Statement of the Case says: ''*Cataphote* petitioned for rehearing (App. xiii) and the petition was denied (App. xiii)''. ''Cataphote'' should be ''DeSoto''.

QUESTIONS PRESENTED.

The questions presented by petitioner include statements that are obviously inapplicable to this case. Petitioner phrases question 2 as: ''Does Singer [*United States* v. *The Singer Mfg. Co.*, 374 U. S. 174 (1963)] permit *the use* of an invalid patent in a suit brought by the patent owner for the purpose of establishing the exclusive posture of a licensee and eliminating harrowing competition by *the only two competitors of the patent owner and the patent licensee*. . . .'' The question implies that Cataphote *used* its patent knowing that it was invalid. The courts below specifically held that Cataphote did *not* have such knowledge. *Singer* is inapposite. There, the patent owner and licensees *did* have knowledge of the infirmities in their patent.

By referring to ''only two competitors'' petitioner totally misstates the findings of the courts below. The number

of competitors and competitive products were found to be numerous with Cataphote and Perma-Line being described as "impotent to monopolize anything" (App. p. ix, n. 8).

The question as to attorneys' fees and costs being an element of damages under the antitrust laws (Question 3) is not ripe for review. All that the court of appeals ruled was that "since we find no antitrust liability, we need not decide if DeSoto's attorneys' fees and costs incurred in *Cataphote I* are recoverable" (App. p. x, n. 9).

ARGUMENT.

I. Apparently petitioner feels that the lower courts misinterpreted the Court's decision in *Walker Process Equipment Co.* v. *Food Machinery and Chemical Corp.*, 382 U. S. 172 (1965). The Court in *Walker Process* could not have been more explicit in setting the standard of fraud necessary to establish an antitrust violation. Although petitioner may contend that the standard is inappropriate, there is no basis for the assertion that the standard applied by the lower federal courts is not exactly what the Supreme Court intended.

In *Walker Process*, this Court said (382 U. S. at 177):

> "By the same token, Food Machinery's good faith would furnish a complete defense. This includes an honest mistake as to the effect of prior installation upon patentability—so called 'technical fraud.'"

Justice Harlan, concurring, stated:

> "We hold today that a treble-damage action for monopolization which, but for the existence of a patent, would be violative of § 2 of the Sherman Act may be maintained under § 4 of the Clayton Act if two conditions are satisfied: (1) the relevant patent is shown to have been procured by knowing and willful fraud practiced by the defendant on the Patent Office or, if

> the defendant was not the original patent applicant, he had been enforcing the patent with knowledge of the fraudulent manner in which it was obtained. . . . Conversely, such a private cause of action would *not* be made out if the plaintiff: (1) showed no more than invalidity of the patent arising, for example, from a judicial finding of 'obviousness' or from other factors sometimes compendiously referred to as 'technical fraud'; or (2) showed fraudulent procurement, but no knowledge thereof by the defendant. . . ." 382 U. S. 179.

Petitioner does not advance any reasons why the Supreme Court should alter the standards set out in *Walker Process*. In fact, recent decisions indicate that no "impossible strictures" have been applied to the doctrine of fraud on the patent office, fraud having been found in a number of recent patent cases. *Chas. Pfizer & Co.* v. *FTC*, 401 F. 2d 574 (6th Cir. 1968), cert. denied 394 U. S. 920 (1969); *United States* v. *Saf-t-boom*, 431 F. 2d 737 (8th Cir. 1970); *Kearney & Trecker Corp.* v. *Giddings & Lewis, Inc.*, 452 F. 2d 579 (7th Cir. 1971), cert. denied 40 Law Week 3503 (April 17, 1972); *Shelco, Inc.* v. *Dow Chem. Co.*, ... F. 2d ....., 173 U. S. P. Q. 451 (7th Cir. 1972); *Monsanto Co.* v. *Rohm & Haas*, ... F. 2d ..... (3rd Cir. 1972), 172 U. S. P. Q. 323; pet. for cert. filed, No. 71-1457 (May 8, 1972); *Intermountain Research and Engineering Co.* v. *Hercules, Inc.*, ... F. Supp. ....., 171 U. S. P. Q. 577 (C. D. Cal. 1971); *Brand Plastics* v. *Dow Chemical, Inc.*, 267 F. Supp. 1010 (C. D. Calif. 1967); and *Air Shields, Inc.* v. *Air Reduction Co., Inc.*, 331 F. Supp. 673 (N. D. Ill. 1971); *SCM Corp.* v. *Radio Corp. of America*, 318 F. Supp. 433 (S. D. New York 1970).

Further, even a relaxation of the *Walker Process* standards would not result in a finding of an antitrust violation here because the lower courts found that Cataphote's actions were motivated by "good faith" (App. p. viii) and that it "had not knowingly and willfully defrauded the Patent Office" (App. pp. vi-viii). Under no reasonable standard could fraud be made out in the presence of such

findings and the court's rejections of petitioner's allegation of misrepresentations. Petitioner's real quarrel is with the factual determinations of the lower courts.

The court of appeals specifically adopted the standard of fraud enunciated in an unambiguous line of decisions including *Walker Process, Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238 (1944) and *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806 (1945), (App. v-vi).

II. Petitioner's position on the relevant market is unclear. Petitioner absolutely refused to present any evidence on the relevant market in the trial court.* The only evidence the court of appeals had before it was that produced by respondents. This refusal to come forward with evidence of the economic power of Cataphote's patent was in direct defiance of the clear authority of *Walker Process*, 382 U. S. 177-8.

> "To establish monopolization or attempt to monopolize a part of trade or commerce under § 2 of the Sherman Act, it would then be necessary to appraise 'the exclusionary power' of the illegal patent claim in terms of the relevant market for the product involved."

Petitioner is in no position to now complain of the relevant market employed by the court below.

III. The only injury alleged by DeSoto was the attorneys' fees it expended in *Cataphote I*. The question of whether such attorneys' fees were recoverable was not decided because no antitrust violation had been established (App. p. x, n. 9). The court's statement that DeSoto had not "proved injury to its business" is a reflection of the

* As an example, Cataphote submitted an interrogatory attempting to determine the market relationship between the Poole patent compositions and other marking compositions. DeSoto objected, arguing that the question was "not relevant to the subject matter involved."

fact that DeSoto had asked for but was not granted attorneys' fees in challenging the validity of the patent. The standard for attorneys' fees in patent cases is governed by 35 U. S. C. § 285 which provides for an award in "exceptional" cases. Having failed to meet what is obviously a lesser standard under 35 U. S. C. § 285, petitioner could hardly elevate attorneys' fees to the status of "injury" required by the Clayton Act, 15 U. S. C. § 15.

CONCLUSION.

For the foregoing reasons it is respectfully submitted that no important questions of law are presented by the petition. The courts below did not decide any new questions of law and no conflicts in the federal courts have been advanced by petitioner.

Respectfully submitted,

WILLIAM A. MARSHALL,
ALVIN D. SHULMAN,
ALLEN H. GERSTEIN,
Two First National Plaza,
Chicago, Illinois 60670,
Attorneys for Respondent
Cataphote Corporation.